CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of Monday, March 14, 1983

Attendance: Chairman, Mr. G. Fisher, Dr. J. Daniel, Prof. G. Martin, Ms. S. O'Reilly, Mr. B. Smart, Mr. C. Waters, Mr. M. Hamilton of William M. Mercer Ltd., Mr. M Bourgault, Ms. E. Gardham, and Ms. D. Johnson

Regrets: Mr. R. Groome, Prof. L. Bessner, and Prof. H. Ripstein

Approval of Agenda

The Chairman remarked that because of the absentees we would be unable to vote on some of the later items on the agenda, specifically the Loyola Past Service question.

Comparative Measurement Review - Pension Finance Associates

Mr. Labonté assured Committee that Pension Finance Associates would be providing the same services we previously received from Wood Gundy. Mr. Labonté summarized the results as of December 31, 1982. The complete text of the report will be included as Appendix A of the official minutes of the meeting. Mr. Labonté will question the Bond results as published (27.7%) and advise us of any amendments to the data.

Mr. Smart asked if there was a summary of the Concordia plan yield above C.P.I., if we need to consistently yield 3% above the C.P.I. over the long term it would be convenient to have a chart showing these excess yields. Mr. Labonté referred to the charts on pages 6 & 7 but noted that no differences have been computed.

Mr. Hamilton noted that capital markets did not provide C.P.I. plus 3% over the last ten years, the last five years have been better but no single five year period matters that much in the long run. From an investment standpoint things look better now but we should not read too much into the current situation, results can turn around in six months.

Mr. Smart noted that we look at excess interest when we review for pension adjustments. Mr. Hamilton remarked that this is a reason for computing adjusted market results; to flatten out the fluctuations in yield.

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Mr. Smart made a motion to accept the minutes as presented, the motion was seconded and unanimously carried.

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Loyola Past Service

The Chairman noted that since we were ahead of schedule we could review the letter from Mr. Hamilton which sets out answers to the question posed at the last meeting. It appears that the cost grows pretty steeply back to 1963, going from 1970 to 1966 and 1963 represents a pretty big step.

Miss Johnson noted there may be incorrect dates of hire on file as these have never been audited. Mr. Hamilton noted that this is the first time we have used Date of Hire for anything other than window dressing.

It was noted that the costs seem to be low when you consider the number of participants encompassed. Mr. Hamilton noted two reasons for the small numbers; there are about 400 members who did not enter the pension plan as soon as they could have, some for as much as two or three years, but the Sir George members who chose not to enter the plan seem to be a younger group, the Loyola members affected by this review are older. These factors have an effect on the liability.

The Chairman asked if these figures were sufficiently representative for the purposes of discussion. Mr. Hamilton replied that the figures are representative. The Chairman asked if the figures suggest any conclusions.

Mr. Smart remarked if we are asking ourselves what is the price of equity in the way we have chosen to define it, the additional cost is about half of the cost related to Loyola participants and he could live with that.

The Chairman noted it makes sense in terms of equity and justice.

Mr. Hamilton noted that if we provide non-contributory benefits for people who were not members, even if they chose not to join, you might as well say that everyone will be covered. There are some people for whom it made sense not to be a member, knowing they were only going to be here for a short period of time.

Prof. Martin asked what happens if you opted out of the plan, made the maximum $5,500.00 R.R.S.P. contribution and then are retroactively brought into the pension plan.

Mr. Hamilton responded that oddly enough this can be done.

Prof. Martin asked how we could determine the costs for the group that opted out between 1970 and 1977. It is difficult to rationalize giving employees who opted out of the plan an additional $3,000.00 or $4,000.00 now.

The Chairman asked if there were any other comments or points of view.

Mr. Smart noted we are trying to second guess a decision that would have been made in the past had there been a decision to make, there was only a contributory plan at the time.

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The Chairman asked if a purchase of past service should be offer ed to this group?

Prof. Martin noted he would be willing to let these members buy back service but the cost would be a concern.

The Chairman remarked that we will have to come up with a recommendation that is perceived by all participants to be equitable otherwise we will be faced with another issue a few years from now when these people come around to retirement. There is little to be gained by measuring out equity in different proportions if this is to be perceived at some later date as being inequitable. If there is anyone on the Board whose advice we could obtain perhaps it would help us to reach a conclusion.

In addition, Prof. Bessner and Prof. Ripstein will have opinions to express and we cannot come to a final consensus today. We should report something back to the Board and their question will be "what is the cost"?

Mr. Hamilton asked if the cost question would be related to the University's ultimate contribution. We are not going to be able to express the immediate implications until the final recommendation is defined and the valuation results are completed.

It was agreed that a special meeting should be called to discuss and agree upon this one issue. What should we recommend to the Board and what can we explain to the community.

A special meeting will be held on Wednesday, April 6, 1983 at 12:00 noon. In addition the regularly scheduled meeting will be held on Monday, April 11, 1983 at 12:00 noon.

Prof. Martin suggested that we might be able to obtain some advice from Mr. Harry Hemens who was a member of this Committee at the time of the merger.

Dr. Daniel took over as Acting Chairman for Mr. Fisher.

Investment Review - Jarislowsky Fraser

Mr. Kertland summarized the results of the last quarter; the Canadian markets were vulnerable because of our economic situation.

Short Bonds were maintained too long but these are now being lengthened. The reduction in inflation is good for interest rates.

The stock market is interest rate sensitive particularly in Banks and Utilities, for example, Bell provides increased returns as interest rates drop. Bell is producing better returns now than cash.

The main area of concern is with respect to the cyclicals, particularly in Forest Products and mines, the market could be stimulated and take off or we may be looking forward to dismal prospects.

Mr. Jarislowsky's report on the economic outlook will be included with the official minutes as Appendix B.

Investment Review - Beutel Goodman

Mr. Norman Bengoff, who handles the Concordia Fixed Income portfolio at Beutel Goodman, was introduced to the Committee. Mr. David Williams summarized the investment picture from the point of view of Beutel Goodman.

The U.S. economy is making a classic recovery but investors are keeping an eye on the government deficit. In Canada 1982 was a disaster and it is hoped with inflation finally coming down corporate profits may begin to improve.

The Canadian market is now beginning to improve and there is a pull back expected, Beutel Goodman hopes to take advantage of some prevailing lower prices. Banks should show good profits and there is a positive outlook for copper. At this point it is more dangerous to be out of the market than in and Beutel Goodman looks for stocks with good price/earnings ratios; they are very uncomfortable with high multiple stocks and tend to stay away from the high tech industries.

With respect to Fixed Income, Mr. Bengoff noted that the 1982 results occurred mainly in the four month period between July and November. The decline in rates is largely the result of the monetary policy and there will be a troughing out in interest rates. The average term on bonds has been reduced moderately from 13.7 to 12.9.

Miss Johnson asked if the current 50-50 split of new money was still satisfactory and Mr. Williams replied this was fine for the moment. As soon as Beutel Goodman is ready to make a major move into Equity they will advise us of their requirements with respect to a transfer from Fixed.

Employee Benefits Statements

Miss Johnson explained that we are behind schedule by about 6 days due to the changes required in historical data resulting from retroactive salary adjustments. We hope to make up some time and in any event we should still be able to deliver by the second week of May.

Long Term Disability Premium

Miss Johnson explained that we had been advised there would be no increase in premium early in the year but Canada Life later indicated the Toronto underwriters had not been advised of our increase in maximum benefits last June, therefore this necessitated a retroactive increase effective January 1, 1982.

We have taken the position that the financial results for 1982 do not justify the increase and the increase in maximum benefits alone does not affect enough lives to justify a retroactive increase in premium.

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The Montreal Group Manager will take the matter up with the underwriters and advise us of the outcome.

Mr. Smart noted that the information provided was clear and we have to be aware of the formula used to justify any changes. Perhaps we should look at other carriers.

Miss Johnson noted that all other aspects of the service provided by Canada Life are excellent but the underwriters are being difficult with regards to our increases in maximum benefits. Once we have received a satisfactory explanation we can consider their proposal.

Funding of Ex-Gratia Pension Adjustments

Mr. Hamilton distributed a letter which summarized the cost of funding the ex-gratia adjustments within the pension plan.

Prof. Martin noted that he had no problem with this approach but expressed concern over the fact that the plan results are looking good over a short period of time - what happens if the pendulum swings. At the time the adjustments were made there was no surplus in the fund and the guarantee from year to year was a moral one.

Mr. Smart noted that there are pressures in the community to fight for better benefits and the temptation is to look at the surplus and then spend it. Are we really looking at a surplus or can we only look at it in terms of the University's contributions as a percentage of payroll.

The concensus of members present was to defer consideration until we have a more complete picture of the adjustments which are to be made.

The meeting adjourned at 1:30 p.m.

Respectfully submitted,

B.D. Johnson

Special thanks to our recording secretary Libby Gardham.